

# Michigan Credit Union League & Affiliates

House Financial Services Committee  
Dodd-Frank and the CFPB  
February 18, 2015



## Michigan Credit Union Overview

Credit Unions are not-for-profit, member-owned cooperatives, democratically controlled by their members

### Michigan Credit Unions

- **275** credit unions in Michigan
- **970** branches
- **13,358** employees
- **\$28.2 billion** in total loans
- **\$47.7 billion** in total assets
  - \$10.7 billion in federal credit union assets
  - \$36.9 billion in state credit union assets
- **\$4.2 billion** in total fixed rate, first mortgages
- **\$1.4 billion** in total small business loans
- **4.73 million** credit union members



## Dodd-Frank Act

Helping Credit Unions  
Serve, Grow and Remain Strong.

**DFA-Related  
Regulatory  
Proposal Pages**

**6,304**  
and counting

**DFA-Related  
Final Regs &  
Guidance Pages**

**8,231**  
and counting

As of January 6, 2015



## Dodd-Frank Act - CFPB

Helping Credit Unions  
Serve, Grow and Remain Strong.

- Credit unions are subject to same rules as J.P. Morgan, Bank of America and Citibank
- CFPB Examination Authority applies to institutions \$10 billion and above however all financial institutions must adhere to the regulatory guidance



## Dodd-Frank - CFPB

Helping Credit Unions  
Serve, Grow and Remain Strong.

- Almost half of credit unions in the U.S. operate with five or fewer full-time employees while largest banks have entire departments committed to compliance
- Four largest banks in the U.S. have total assets greater than combined assets of the entire credit union system
- Dodd-Frank and the CFPB have not taken this disparity into consideration
- Number of credit unions has been halved from 12,500 in 1995 to 6500 today.



## Dodd-Frank Act – CFPB

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### Impact of CFPB: Lending Programs

- Mortgage Lending Regulations
- Credit Cards
- Payday Loans, Deposit Advances, Overdraft Programs
- Credit Reports
- Fair Lending Concerns
- Indirect Auto Lending



## Dodd-Frank Act - CFPB

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### QM-Ability to Repay

- Fed Survey – 36 Large Banks
- 20% - Decrease in approvals for prime conforming (Regardless of FICO)
- 44% - Decrease in approvals for Jumbos (Regardless of FICO)
- 7 banks: Approval rates are lower due to CFPB mortgage rules
- CUNA testimony last week: QMs only
- Litigation and Impact on Market



## Dodd-Frank Act - CFPB

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### TILA/RESPA

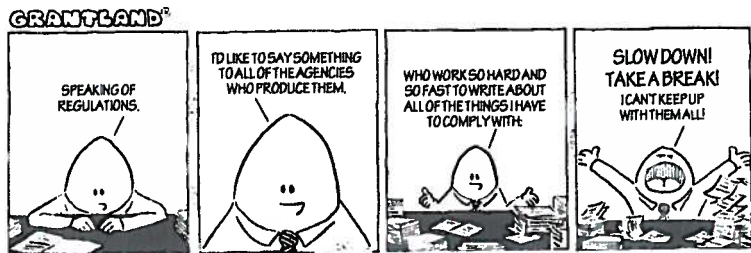
- Implementation Concerns
- Clarifications Needed/Sought by Industry
- Consumer LOS/1<sup>st</sup> Mortgage LOS/HMDA Implications
- Loan Estimate: 2688
- Closing Disclosure: 800
- August 1, 2015 - Saturday
- Existing GFE and HUD-1, HUD-1A





## What are they working on?

Helping Credit Unions  
Serve, Grow and Remain Strong.



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### Overdrafts

CFPB sought comments in 2012 on the "Impact of Overdraft Programs on Consumers;" issued a white paper in June 2013 based on data from nine banks it regulates; July 2014 "Data Point: Checking Account Overdrafts;" cites Pew Charitable Trusts' "Safe Checking in the Electronic Age Project;" etc. CFPB says that "it is considering whether rules governing overdrafts and related services are warranted...possible rulemaking might include disclosures or address specific acts or practices." Its last public agenda said "pre-rule activities: 07/00/15".



## What are they working on?

Helping Credit Unions  
Serve, Grow and Remain Strong.

- **Debt collection:** The Fair Debt Collection Practices Act has no implementing rules and exempts credit unions collecting their own debts. CFPB published an ANPR (comment period closed Feb. 10, 2014). "CFPB is considering whether rules governing the collection of debts are warranted under the FDCPA or other CFPB authorities" (i.e. the bureau's "UDAAP" authority = "unfair, deceptive or abusive acts or practices.") Its last public agenda says "pre-rule activities 4/00/15."
- **Expedited Funds Availability (Reg CC):** CFPB's comment period closed June 2011 –the Federal Reserve is seeking further comments on aspects of Reg CC relating to check collection and return rules (comment period closed May 2, 2014)(CFPB: Final Rule 6/00/15)



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### Card Payment Issues

- **Prepaid cards:** ANPR in July 2012; proposal issued November 2014 – including sample model disclosure forms; Comments close 3/23/15
- **Credit cards:** CFPB's Sept. 3, 2014 Bulletin #2014-02 on "Marketing of Credit Card Promotional APR Offers"; pilot program with Pentagon FCU



## What is the impact of all of this regulation on Credit Unions?



## Impact on Credit Unions

- 46 CFPB rules finalized since 2012
- 7 Mortgage rules mandated by Dodd-Frank finalized over a two week period in 2013
- Mortgage rules effective over a two week period in January 2014
- Mortgage rules were originally proposed by the Federal Reserve in 2011 with only a 60 day comment period
- Comments made were transferred to the CFPB who then issued a proposed rule and a 30 day comment period in summer of 2012
- Final rules were issued less than 6 months after the CFPB proposal and comment period
- Length of time between final issuance of rule and effective date was only one year and involved multiple agencies



## Impact on Credit Unions Cont..

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- All seven mortgage rules mandated by Dodd-Frank were finalized in January 2013 and totaled over 3000 pages
- Nine amendments were made after the original rules were finalized totaling over 1100 pages.
- Mortgage Loan Originator rule conflicts with the S.A.F.E. Act. Significantly increased the number of employees considered mortgage loan originators.
- ATR/QM rule has the potential to hamstring credit unions who want to lend but the loan is not considered a qualified mortgage. QM provides a safe harbor to ATR
- HMDA proposal will require the reporting of an additional 17 data points as required by Dodd-Frank. The CFPB is using its authority to require an additional 15 data points on top of the mandated 17.

- Cost increase is between 90 and 764 hours for up to 1000 covered loans.



## Impact on Credit Unions

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- Dodd-Frank mandated changes to Regulation E have resulted in credit unions raising prices or eliminating international wires
- The rule requires certain information (exchange rate, fees, totals, date of availability) to be provided to members in a pre and post, or combined transaction notice
- Exemption threshold only set at 100 international wires
- Credit Union ONE has eliminated this service to the 250 members who had relied on it before
- If we continued to offer the service the cost to process would have doubled and the processing time would increase





## Impact- Members and Credit Union

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- Increased cost of compliance
  - Staff training
  - Legal counsel cost to assist in understanding and getting clarification of vagueness of certain rules
  - Changes to forms and training staff on new forms
  - System enhancements and training
  - Development of new policies and procedures and modifications of existing policies and procedures (Loan originator Compensation, Error Resolution, Appraisals, etc.)
- Miscellaneous
  - Potential to stifle product development and creativity
  - Managing to a set of specific rules as opposed to the needs of the members
  - Creates confusion/difficult to understand unless you are a compliance expert
  - More disclosures and forms
  - May be harder to provide credit and options to members



## Dodd-Frank and the CFPB

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# Questions?



